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C O N F I D E N T I A L TOKYO 002921

SIPDIS

STATE FOR E, EEB AND EAP/J
NSC FOR LOI, RUSSELL
USTR FOR AUSTR CUTLER, BEEMAN AND LEE

E.O. 12958: DECL: 12/22/2019
TAGS: [ECON](#) [EFIN](#) [PGOV](#) [JA](#)
SUBJECT: POSTAL PRIVATIZATION: JAPAN AND U.S. SHOULD
DISCUSS QUIETLY

REF: STATE 129118

Classified By: Deputy Chief of Mission James P. Zumwalt;
Reasons 1.4 (b) and (d)

11. (C) Summary: The USG and GOJ should quietly resolve any differences regarding Japan's postal privatization process, Financial Services Agency Senior Vice Minister Kouhei Ohtsuka told the DCM December 21 in response to points in reftel. Ohtsuka welcomed USG statements that postal privatization is an internal, domestic matter, and he requested the USG continue to emphasize this point. The United States and Japan should develop a "win-win" solution quietly, he asserted, noting the media would like to construe the matter as trade friction. He asked the USG to understand the sensitivity of the postal privatization debate in Japan, particularly in rural areas. End summary.

12. (C) The DCM delivered ref points December 21 to Financial Services Agency Senior Vice Minister Kouhei Ohtsuka. In response, Ohtsuka said the USG should "rest assured" that he understands USG concerns. Referring to a front-page article in the national Nikkei newspaper quoting DUSTR Marantis, Ohtsuka welcomed statements that privatization is an internal, domestic Japanese issue. The USG should continue to express this point publicly, Ohtsuka said, but he also encouraged the USG to take a different perspective to the privatization debate than four or five years ago. The U.S. and Japan should develop a "win-win" solution quietly, he asserted, noting that the media would like to construe the matter as trade friction. To the extent that the United States emphasizes that postal privatization is an internal matter, it will be easier for the public to accept the idea of competition and fairness, Ohtsuka claimed.

13. (C) The GOJ does not plan to nationalize Japan Post again but will continue on the path of privatization to create a publicly-traded company. In this process, the GOJ will place attention on fairness and on the need to create a level playing field for foreign companies in all three areas of banking, insurance, and express mail. Ohtsuka noted a December 25 public hearing in which the American Chamber of Commerce in Japan (ACCJ) will participate, and he welcomed

ACCJ and the Conference of Asia Pacific Express Carriers (CAPEC) participation in such hearings.

¶4. (C) Ohtsuka and other politicians sense that the Japanese public has been "feeling stress," compounded by a change in government and the "embarrassing" fact that policy coordination within the bureaucracy does not occur smoothly. In addition, media bias has polarized the debate. Likening Japan's rural areas to the American frontier, Ohtsuka contended that given rural and urban differences in perspectives on the postal system, the GOJ must take into consideration the important role of the post office in rural areas. He asked twice during the meeting that the USG understand how sensitive this issue is in Japan.

¶5. (SBU) Ohtsuka said he regretted that his schedule did not allow him to meet AUSTR Wendy Cutler during her visit, but he hoped there would be a future opportunity.

¶6. (C) Comment: Ohtsuka also raised concerns about Futenma, emphasizing the importance of resolving the matter and, at the same time, tying the issue to the "stress" felt by the general population. Ohtsuka's concern about Futenma and emphasis on resolving the postal issue quietly epitomize the DPJ's delicate balancing act between emphasizing the importance of bilateral cooperation with the United States while also demonstrating toughness and independence in public.
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